



AUTUMN BUDGET 2025

OVERVIEW

On 26th November 2025 the Chancellor, Rachel Reeves delivered the Autumn Statement. The Chancellor announced a package to raise approximately £26 billion in taxes to address public finance shortfalls, while introducing measures to cut living costs, most notably abolishing the two-child benefit limit.

KEY TAX MEASURES

- **Income Tax & National Insurance (NI) Thresholds Frozen until 2031:** The current freeze on income tax and NI thresholds, previously set to end in 2028, has been extended for another three years. This “fiscal drag” will pull more earners into higher tax bands as wages rise.
- **Dividends:** The basic and higher rates of dividends tax is rising by 2% to 10.75% and 35.75% respectively from April 2026.
- **Salary Sacrifice Cap:** From April 2029, a new £2,000 cap will apply to the amount of pension contributions that can be shielded from NI via salary sacrifice schemes. Contributions above this will be taxed like standard employee contributions.
- **Council Tax Surcharge:** A high-value surcharge will apply to properties worth over £2m (adding £2,500/year) and £5m (adding £7,500/year) starting April 2028.
- **Savings:** From April 2027, the £20,000 ISA annual limit is kept, but £8,000 must be in investment (over 65s not affected). Tax on savings income will increase by 2% across all bands from April 2027.
- **Remote Gaming Duty:** Increased from 21% to 40% for online slots and casino games (no change on in-person gambling).

- **Property Tax:** New separate tax rates for property income. From April 2027, the property basic rate will be 22%, higher rate 42% and additional rate 47%. Finance cost relief will be provided at the separate property basic rate (22%).
- **Electric Vehicles (EVs):** A new mileage-based excise duty was introduced for EVs to offset declining fuel duty revenue. Rates are set at 3p per mile for pure EVs and 1.5p for plug-in hybrids.
- **Making Tax Digital for Income Tax:** There will be no late submission penalties for quarterly updates during the 2026/27 tax year.
- **Business Rates:** Permanently lower business rates for hospitality premises. This is set to be funded through higher rates on properties with rateable values (RVs) above £500,000 such as warehouses used by online retail giants.

HEALTH & PUBLIC HEALTH

- **NHS Funding:** £4.9 billion in efficiency savings will be reinvested into the NHS to fund more nurses and 250 new local health centers.
- **“Milkshake Tax”:** The sugar tax levy has been extended to include dairy-based drinks (e.g., milkshakes, canned lattes) with a stricter sugar threshold reduced to 4.5g per 100ml.

LIVING COSTS & WELFARE

- **Two-Child Benefit Limit:** Abolished effectively immediately in terms of forward planning.
- **Minimum Wage From 1 April 2026:**
 - **Living Wage:** Increases from £12.21 to £12.71 per hour.
 - **18-20 year olds:** Increases from £10.00 to £10.85 per hour.
 - **16-17 year olds:** Increases from £7.55 to £8.00 per hour
 - **Apprentice Rate:** Increases from £7.55 to £8.00 per hour
- **Energy Bills:** A package of measures, including removing green levies, aims to cut average household energy bills by £150 starting next year.
- **Fuel Duty:** Frozen for another 5 months until September 2026.

ECONOMIC OVERVIEW

The Office for Budget Responsibility (OBR) provided updated forecasts:

- **Inflation:** Currently running at 3.5% (higher than the 2% target), but forecast to fall to 2.5% in 2026.
- **Growth:** GDP growth is upgraded to 1.5% for 2025.
- **Fiscal Impact:** The OBR noted that the EV duty changes might initially dampen electric car sales by approximately 440,000 units.